

## IDF World Dairy Summit: Focus on the UK and Brexit

Arla, Glanbia Cheese and Lakeland all had time on the podium to discuss their thoughts on the years ahead for UK dairy.

Paul Vernon, CEO of Glanbia Cheese started by comparing the dairy industry of today with the one he started working in 30 years ago.

In the mid 1980s

- More food consumed in the country of origin (UK 75% self sufficient v c60% today)
- 1986 Agriculture Act to manage the dairy quota system
- USA Agricultural Credit Act - €4bn to assist vulnerable farms and farming institutions.
- Creation of 'Farm Aid'. Willie Nelson's crusade to help America's family farmers
- Consumers turning away from real dairy after erroneous health warnings about fat content

Today

- Total farmer numbers decreased in Western Europe but largely offset by larger herds and better genetics.
- End of EU quotas leading to more supply to fulfill global demand.
- Now operate in a Global marketplace
- Moved to multi state Co-Operatives/PLCs and specialist experts who trade globally
- Despite some prolonged periods of low pricing, the underlying trajectory has been upwards.
- Consumers have moved back to butter.
- While still niche, there has been a marked growth of plant based substitutes



From



To

The key message is that the dairy industry also has to move with the times - consumer habits change, we need to go with them. For Glanbia Cheese an amazing development has been the move towards the stuffed crust pizza!

## Let's reimagine milk

Arla's key message, presented through UK Vice President Tomas Petriengali, asked us to reimagine milk, through their vision of creating the future of dairy to bring health and inspiration to the world, naturally.

Research carried out by Edelman show concerning misconceptions that UK consumers have in regard to dairy products:

- 24% of people are proactively cutting dairy intake
- 46% of 16-24 year olds claim to have had an adverse reaction to milk
- 56% never think about dairy consumption
- Alternatives are growing by 9%
- 20% of consumers believe that whole milk contains more than 80% fat
- 55% of UK women believe that their milk contains hormones

To help overcome this, Arla's answer is that the dairy sector should:

- Step up our milk messaging
- Focus on young women
- Use our strengths

It's good to see this has borne fruit with the launch of the new DairyUK and AHDB Dairy campaign this month.

## Arla on Brexit

Arla Foods is the UK's largest dairy company (by milk pool) and farmer-owned cooperative and with 25% of its group turnover coming from the UK it's no secret that Arla EU concerned about what future trade deal is agreed between the UK and EU.

Last year Arla carried out an Economic Impact Assessment that put in figures the contribution it makes to the UK economy:

- 119,000+ jobs equivalent to 0.38% of total UK employment
- Over £6 billion GVA Equivalent to 0.33% of total UK GDP
- Arla UK imports dairy products from 6 countries (13% growth)
- Arla UK exports to 21 countries in the EU and 48 countries beyond the EU (14% growth)

In total the UK has a 2.7billion kg (or 16%) milk deficit. On a product basis this is:

- Cheddar 210million Kg (9% milk equivalent) deficit in the UK
- Cheese 3,200 million Kg / (44% milk equivalent) deficit in the UK
- Yogurts 157 million Kg / 33% milk equivalent) deficit in the UK

Arla asks for Brexit are:

- Transitional deal to mirror and run in parallel to CAP and last until 2022
- Post-CAP to move from subsidies to investment framework
- No import/export tariffs or quotas on dairy goods
- Maintain current world-leading regulatory framework on food standards, food safety and animal welfare
- Investment in apprenticeships and the development of skills for new entrants and the next generation of farmers

And finally the Northern Irish perspective: Lakeland Dairies

Lakeland Dairies has 2,400 members in Ireland and Northern Ireland distributed as follows:



	Southern IRL	Northern IRL	Partner Contracts	Total
<b>Suppliers</b>	<b>1701</b>	<b>750</b>		<b>2,451</b>
<b>Litres (M)</b>	<b>600</b>	<b>600</b>	<b>+</b>	<b>&gt;1,200 Bn</b>
<b>Litres/herd</b>	<b>320,000</b>	<b>800,000</b>		

Lakeland processes over 1.2 billion litres of milk which is processed into 160,000t milk powder, 50,000t butter and over 20 branded products. They export to over 80 countries worldwide.

The inability to move milk and dairy products across the Irish border will make life extremely difficult for Lakeland dairies, hence their asks for:

- Tariff-free two-way movement of milk and finished product within the Island of Ireland so as to align efficient processing capacity and product capability across the milk field
- Duty free movement within the island of Ireland is a red line issue
- If any future border was to exist - that it would be seamless, frictionless and would use technology based solutions so as to minimise disruption to the movement of goods
- That a Comprehensive Transition Agreement becomes part of the current negotiation process so as to give the industry time to reposition and align operations from farm to final customer

- That EU funding be made available to enable the repositioning of the Irish dairy industry due to its dependency on the UK market with products uniquely suited to the UK consumer.

### **Lakeland on doing business in China**

Lakeland considered the Chinese market for close to 10 years before they made the move. They have now been present in China for 6 years with infant formula, UHT milks and creams. China is an extremely complex society and market and have a highly regulated environment. There are exceptionally strict customs and quality checks but buyers are prepared to pay a premium for Irish dairy product.